



Investigating the impact of wage freeze on civil service in Zambia: A case study of selected schools in Kabwe district

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Abstract

The study aimed at investigating the impact of wage freeze on civil service in Zambia with special focus on selected schools in Kabwe District of Central Zambia. The study used both qualitative and quantitative approaches. Fifty (50) civil servants were taken as the sample size of the study drawn from Three (3) schools selected at random.

Data was collected using questionnaires and unstructured interviews. Additionally, data was analyzed using descriptive statistics, percentages, totals and visual displays were made in form of tables, charts and graphs generated using Excel.

The study established that there was a significant and clear impact of wage freeze on the civil service. Respondents came up with varying ways in which the civil service was adversely affected by the wage freeze such as reliance on unsustainable loans, poor working culture, low morale, failure to help the extended family and difficulties in paying fees for children and dependants. Based on the aforesaid findings, the study recommends that before the government implements the wage freeze in the civil service, adequate consultations should be done. These consultations should involve all the stakeholders such as workers' representatives (Trade unions) and civil society organizations with a view of reaching some acceptable level of understanding.

Keywords: investigating, freeze, respondents, organizations, civil

Introduction

Introduction and Background

Wages are the most common earnings of people. Perceived by workers, clerks, managers and employees generally, wages and salaries constitute the core element of income for the majority of people. In the same vein, many pension schemes are based on wage levels and dynamics. Economists sometimes refer to wages as 'the price of labor', and this calls attention to the function of wages in allocating resources (labor) and raises the issue of wages being set at a level which clears the market (Eurofound, 2012) ^[5]. O'Farrell (2010) defines a wage as a fixed regular payment for work, typically paid on a daily or weekly basis. Therefore, wage freeze refers to a situation of wage stagnation (Rowthorn, 1990).

Wage levels result from individual and collective negotiations between the employees such as civil servants (and their representatives with the management (and the owners) of institutions such as the government. Public workers are sometimes called civil servants. According to Hall (2001), civil service means the permanent professional branches of state administration, excluding military and judicial branches and elected politicians.

In public bodies, laws and negotiations decide wages. A government wanting to cut public expenditure might try to freeze or reduce wages in the civil service (Tayo, 2007) ^[18]. This measure may come with it a number of repercussions among civil servants. Included among the repercussions a re economic hardships thereby increasing poverty levels among the citizenry. Eurofound (2007) ^[2] argues that while there may be differing assessments of what constitutes a living,

subsistence or a family wage, there is shared concern where the income from work is insufficient to prevent poverty. Therefore, on a more micro level, it is imperative to remember that wage level and dynamics are a key feature for individual motivation to work on one hand and individual wellbeing on the other (Traxler and Tittel, 2000) ^[19].

The use of wage freeze to control the size of the wage bill in most cases evades the question of the number of civil servants. Sometimes this number is so large that even freezing wages does little to reduce expenditure. Though wage freezes may be politically difficult for governments to impose, they nonetheless appear to be more palatable than reducing overall public sector employment itself. According to Eurofound (2003) the argument runs that wages must be restricted, or even cut, in order to maintain or restore competitive advantage. As a result, most governments, Zambia inclusive prefer to expand employment at diminishing wage levels. However, it must be noted that moves to cut wages obviously also have consequences for the public purse, given the centrality of taxes on income to public budgets (IMF, 2014). This study therefore investigated the impact that the wage freeze had on the civil service in Zambia.

Statement of the problem

In an effort to stabilize the economy, the Zambian government under the Patriotic Front (PF) regime introduced the wage freeze in the civil service. This unpopular measure has presented an equation which does not seem to balance. While the wages for the civil service has remained stagnant the wages of other workers in the private sector get adjusted

annually and prices of goods and services in the economy keep increasing. This imbalance means that the civil servants who are key players in the economy bear the consequences on these price increases since the purchasing power of their wages and salaries keep dwindling. Since civil servants who are the major players in the economy countrywide have little or no disposable income, several businesses seem not to be doing well. This results into low morale and reliance on debt especially from financial institutions such as banks and micro financial institutions.

In times of wage freeze governments and other public organizations fail to sustain essential labour force. According to the World Bank (2010) ^[21] these wage freezes raise concerns about the government to sustain their workforces and attract and retain personnel in sufficient numbers, especially in critical skill areas. In addition wage freezes result into increasing quits and excess worker turnover. The result of this is that the general public misses out on the productivity and creativity of a motivated and skilled workforce. In fact, it is equally important to note that an underpaid and unmotivated civil service simply will not deliver high-quality public services (North, 2010) ^[14].

Objectives

- 1 To identify the ways in which the wage freeze directly impacts on civil service in Zambia
- 2 To examine the performance of civil service in Zambia during the period or time of a wage freeze.
- 3 To examine the challenges that are brought about by a wage freeze in the civil service in Zambia.
- 4 To explore the whole concept of wage freezes in the Zambian context.

Significance of study

The study on the impact of wage freeze on Civil service in Zambia is an interesting one because it details how wages of civil servants play an important role in the country's economy. It is the researcher's considered view that this study would be useful to the government of the republic of Zambia, unilateral/multilateral donors and civil society organizations as they interact with each other with a view of bettering the economic stamina of the country.

Scope of the study

The study would investigate the impact of wage freeze on civil service in Zambia particularly in Kabwe District of Central Zambia. Additionally, the study would also give conclusions and recommendations.

Literature Review

A certain variety of wage setting mechanisms is in place across the globe. Trend-setting agreements are rather a Nordic phenomenon, with certain sectors taking the lead in the annual bargaining rounds while other sectors follow the agreements made there (European Union, 2014). Higher level laws or agreements at national or inter-sectorial level as a starting point for public sector level negotiations can mainly be found in some of the Southern European and some of the new member states (IMF, 2016).

Global Perspective

According to Euro found (2011) both EU statistics from the DG of Economic and Financial Affairs annual macroeconomic database (AMECO) and the national sources reported by correspondents from the European Working Conditions Observatory (EWCO) confirm that the main wage trends in the EU countries for the period 2008 – 2010 were characterized by freezing of wages.

According to the survey conducted by World Bank in 2010 in Romania, the gross minimum wage (as had been tripartitely agreed for the period 2008 – 2014) was frozen as a result of the crisis, and the gap between the gross minimum wage in the tripartite agreement and the one decreed by the government decision widened with every year that passed (World Bank, 2010) ^[21]. IMF (2016) argues that this affected the representativeness criteria for social partners. Collective bargaining came to a standstill, as social partners were having difficulties to get organized at sector level and obtaining representative status. Social partners, in 2012, opted to protest against government and this led to the cabinet resigning (Eurofound, 2010) ^[3]. Since then the labor unions have worked together to protest a unilateral government changes to labor law and social dialogue mechanisms and to demand a return to consultation with the social partners.

A study by the Luxembourg Central Bank in 2010 showed that companies identified the fear of reducing workers' level of effort and morale (different from the notion of job satisfaction) and the resulting lower quantity and quality of output as major obstacle for wage cuts (World Bank, 2010) ^[21]. Or in Malta, where this coincides with the general feeling of employers who believe that implementation of wage freeze would damage their company as they would risk losing their most productive workers to their competitors (IMF, 2016)

Regional Perspective

Traxler and Kittel (2000) ^[19] explain that in Central African Republic for example, public servants purchasing power declined so dramatically as a result of successive wage freezes between 1982 and 1985 that urban economy of the capital, where government employees were an important consumer block, was adversely affected.

Adams and Neumark (2005) ^[1] report that in the Central Africa Republic (CAR) recruitment was first limited by a rule permitting the hiring of one functionary for every three dismissed. This proved expensive though, because it became commonplace to recruit a higher level staff whenever three lower level ones were fired. The system was subsequently modified to limit recruitment to a ratio of one franc of hiring for every three francs of savings.

According to the Eurostat (2010) in Guinea and CAR, justification for civil service cuts has been based on competence testing organized by the Ministry of the Civil Service but carried out by each individual Ministry.

In Guinea, French technical assistance financed a public relations consultant who prepared an information campaign (through radio and television broadcasts) that publicized and explained the governments retrenchment plan. Bank staff observing the effects of this program were persuaded that it led to increased public acceptance of employment reductions (IMF, 2014)

Zambian Perspective

In the Zambian public sector, collective bargaining remains the main machinery for wage determination, and today covers over 90 per cent of eligible workers (Tayo, 2007) ^[18]. However, while the machinery remains central to wage determination in the sector, there are notable recent changes that appear to weaken its effect, with adverse implications for the private sector. For example, government has practiced an unofficial policy of wage moderation, ostensibly as an incentive for Foreign Direct Investment (FDI). In 2001, for example, the Chiluba administration imposed a controversial wage freeze on government workers, seemingly to pre-empt the private sector from negotiations that might presumably undermine the privatization policy (GRZ, 2006) ^[7].

The Mwanawasa administration followed this orientation as was the case in 2003 which reversed a pay rise for public sector workers, despite a tripartite agreement between government, labour and the International Monetary Fund (IMF). Surprisingly, though, the government later imposed an IMF-inspired wage freeze in 2004, drawing the anger of labour which subsequently embarked on the first national strike of the present decade (ZCTU, 2006; EIU, 2007).

Presenting the 2014 budget in parliament, the Minister of Finance announced the government's one of the austerity measures (GRZ (2016) ^[8]. According to Nyirenda and Shikwe (2015) ^[15] this measure was the unilateral imposition of a two year wage freeze for public sector workers and the deferment of new recruitments to 2015. According to the International Monetary Fund (2014) ^[11] the measure was meant to create fiscal space for the provision of basic social services and reduce money spent on the public service wage bill.

The wage freeze has a number of repercussions on the civil service. According to Nyirenda and Shikwe (2015) ^[15] the wage and recruitment freeze in the civil service as announced by the Minister of Finance during the presentation of the 2014 National budget is retrogressive and could seriously harm and cripple the smooth running of government.

According to Nyirenda and Shikwe (2015) ^[15] wage freezes are acrimonious in every sense and do not promote industrial harmony. The key to a durable and sustainable working atmosphere lies in constant social dialogue with trade unions.

Comparative Studies

Research undertaken by the Institute of Payroll Professionals shows that the decision to impose a wage freeze could have a negative effect on the public sector. The outcome of the research shows that the public sector could suffer overall, possibly losing highly skilled employees (World Bank, 2010) ^[21].

In another Survey conducted by Institute of Employment studies revealed that stagnant Pay results in the loss of the value of their remuneration package, leading to demoralized workforce with a massive workload. Umbrella company contractors are looking to the private sector for work, but if the public sector redundancies occur too quickly, the private sector may not have the resources necessary for a counterbalance (World Bank, 2014) ^[22].

Personal critique

The review of literature has brought to light the fact that

extensive studies have been carried out on the impact of wage freezes on workers in many countries. A further review of literature has revealed that in the case of Zambia, studies have centered on causes of wage freeze in the civil service.

Establishment of the gap

The researcher did not come across any information on the effect of wage freeze on civil service specifically in Zambia. Clearly this is indicative of the fact that no one has ever published anything as regards the topic under investigation. As a result, this has prompted the researcher to investigate the impact that wage freeze has on the civil service in Zambia.

Research Methodology

Research design

Since accurate information was needed to arrive at the impact of wage freeze on business and civil service, the study used a descriptive design. The research used both qualitative and quantitative approaches to explain the existing situation. The study was participatory since it aimed at involving the respondents in the process of research.

For collection of data, this study relied on interviews and the use of questionnaires. Furthermore, to obtain information, the researcher did establish good rapport with respondents by working in a non-directive manner with a view of making respondents feel free to contribute to the discussions.

Target Population

Since the purpose of this study was to investigate the effect of wage freeze on civil service in Zambia, the study recruited civil servants from Mukobeko Secondary School, Chindwin B Primary School, Neem Tree Primary School.

The detailed distribution of respondents was as follows: Fifteen (15) employees from Mukobeko Secondary School, Chindwin B Primary School - Fourteen (18) employees, Twelve (17) employees from Neem Tree Primary School.

Sample Size

The sample comprised a total of fifty (50) civil servants as follows: four (4) Heads of department and (46) teachers. Therefore a total of Fifty (50) questionnaires were distributed so as to get data that was representative enough.

Sampling Technique

Probability sampling technique was used in choosing respondents.

Instruments for data collection

Data in this study was gathered using structured questionnaires and unstructured interviews.

Procedure for data collection

The questionnaires were physically delivered to each respondent by the researcher to avoid wasting time since all the participants were situated within Kabwe District (Sakuwaha, 2004) ^[17].

Data Analysis Techniques

The data collected was presented quantitatively and qualitatively.

The researcher analyzed the collected data manually using descriptive statistics, using totals, percentages and frequency tables. The quantitative data was analyzed and summarized through the usage of narrations. Additionally simple analyses were done using Excel. Further, qualitative data was analysed in form of explanations so as to support qualitative data (Kalumbi, 2005)^[12].

Presentation of Findings

Description of the positions of the respondents in the institutions selected.

The table below describes the positions held by the respondents. 46 of the respondents representing 92% were teachers while 4 representing 8% were Heads of Department (HODs)

Table 1: Positions held by the respondents

Category	Number	Percentage (%)
Head of department	4	8
Teachers	46	92
Total	50	100

Source: research data

Period of working in civil service

The table below gives a description of the period that respondents worked in the civil service. The majority of the respondents representing 28% fell in the category of between

6 to 10 years of working, 28% fell in the category of between 16 to 20 years, those that fell in the category of 11 to 15 years were represented by 20%, 18% worked for more than 20 years while the least was the category between 1 to 5 years represented by 8%. From the above description it was revealed that the majority of the respondents were those that had a feel of a wage freeze.

Table 2: Period of working in civil service

Category	Number	Percentage (%)
Between 1-5 years	4	8
Between 6-10	14	28
Between 11-15	10	20
Between 16-20 years	13	26
Above 20 years	9	18
Total	50	100

Source: research data

Why wage freeze has negative impact

When respondents were asked to choose the statement that they thought was the impact of the wage freeze, the majority (38) representing 76% said that the negative impact was that many people failed to meet basic needs. Those who said ‘the few workers in the civil service were overworked’ were (3) representing 6% while those who said ‘civil service failed to attract skilled workforce’ were 9 representing 18%.

The above data can be illustrated as in the chart below:

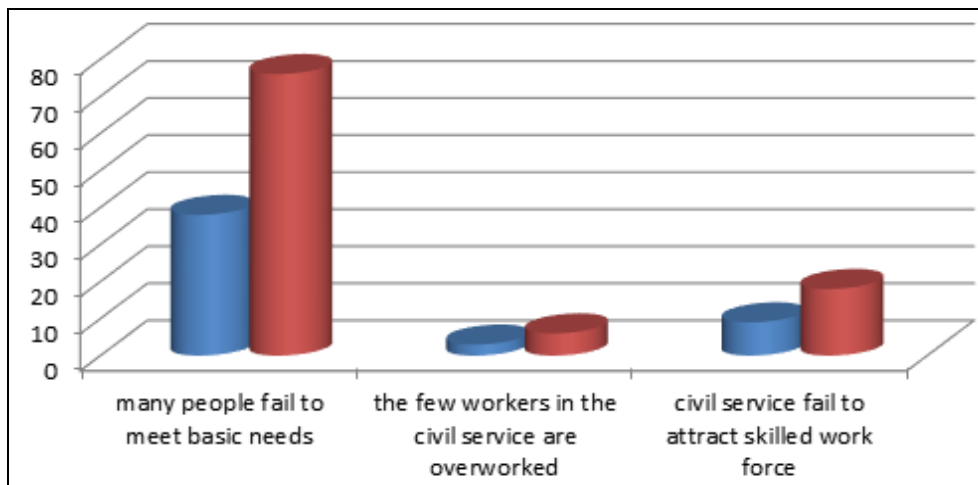


Fig 1

Discussion of Findings

Negative impact of wage freeze

Respondents did agree that the wage freeze has negative impact on the civil service. The study revealed that the majority of the respondents (76%) asserted that the major impact was failure by civil servants to meet their basic needs. This failure had dire consequences such as compromise on dietary needs of households for most of them were unable to feed their families, afford decent clothes as well as failure to afford bus fares to and from work. Most of them lamented that they had been reduced to beggars as they relied on other people to help them with money to take them through the month. The study further revealed that the civil service was

unable to attract skilled workforce and that the few who remained patriotic were overworked. This agrees with Kiragu (2004)^[13] who says that when salaries are too low it is not possible to keep professionals in the public service. The result of this was that productivity was affected since morale was lacking among the workforce.

Ways in which civil service is affected by wage freeze

The study revealed the respondents’ input as regards ways that the civil service was affected by the wage freeze as follows:

Loans

Under the condition of wage freeze, civil servants resort to

acquiring loans which in most cases were unsustainable, the study revealed. What was shocking was that most of them said that the loans were taken not for the purpose of embarking on capital projects such as building houses but were contracted for consumption purposes. The respondents revealed that they were forced to do this to cushion the impact of lack of finances.

Lack of trained teachers

The study revealed that the wage freeze was implemented side by side with employment freeze. This meant that there was employment gap. In fact it was noted that the wage freeze was implemented at the time when government was opening and building more new schools. The effect of this was that many schools especially in rural areas did not have adequate numbers in terms of trained teacher. Obviously this had a direct bearing on quality of education offered. In some case even untrained teachers were engaged to teach in such schools.

Working Culture

Civil servants developed negative attitude towards work during the wage freeze, the study found out. It was further revealed that civil servants were no longer interested in work because they felt that they were working for nothing. Although they were receiving salaries at the end of the month, these could not sustain them anymore. So the study revealed that most of them engaged in corrupt practices to make ends meet and others concentrated on extra tuition where pupils were charged extra fees. According to Van Lerberghe (2002) insufficient salaries and related demonstrations are also often argued to partly explain deviant or predatory behavior, weak performance, resistance to reforms and various coping strategies on the part of civil servants. The implication of this was that some teachers taught more things outside mainstream classes much to the detriment of those pupils who were unable to pay for such lessons (extra tuition fees).

Low morale

The respondents cited low morale or demotivated workforce as a direct consequence of a wage freeze in the civil service. The study revealed that although wages were not the sole reason for motivation to be enhanced in the civil service, it played a major role in the welfare of employees. Even if it is only part of the picture, materialistic motivation is an important one. The argument that adequate pay is crucial for sustaining the motivation, performance, and integrity of public servants has been widely accepted and documented (Kiragu, 2004) ^[13].

Where wages were stagnant workers tended to put in little effort thereby resulting into low productivity.

Failure to help the extended family

The study found out that wage freeze in the civil service had a strong bearing on the extended family arrangement. Civil servants were unable to render a helping hand to the extended family members. They asserted that this was so owing to the fact that it was not possible for one to have surplus money to care for the needs of the other family members outside the nuclear family. The consequence of this was the exacerbation

of the poverty levels and low standards of living in the communities.

Difficulties in paying fees

It was revealed in the study that many civil servants were unable to send their children to institutions of higher learning. This was so because such institutions kept increasingly the tuition fees while the salaries of the civil servants remain stagnant in times of wage freeze. This leads to frustration in the civil service as most of their children are left loaming in the streets resulting in some getting involved in illicit activities such as prostitution and drug abuse.

Conclusion

From the study of investigating the impact of wage freeze on civil service in Zambia, it can be concluded that there are many ways in which the civil servants are affected. The wage freeze literally reduces civil servants to unimaginable levels of poverty. This is so because they fail to buy basic needs to last for the month. As if this is not enough others fail to send their own children to school and those who manage, do so with a lot of difficulties.

During times of wage freeze many civil servants get so frustrated that they do not see the need to continue working since they do not feel appreciated by their employer, in this case, the government. The living standards keep nose diving and to narrow the gap other resort to immoral practices such as corruption. Services which, under normal circumstances, ought to be provided free of charge to the general public are priced illegally. This results into a civil service that earns itself a bad name and by extension the whole government regime. Finally, it should be kept in mind that wage freezing could be expected to have negative effects on job engagement and productivity in the civil service, which can ultimately lead to macroeconomic imbalances.

Recommendations

Following the findings of this study, Recommendations were made as below:

- Before the wage freeze is enforced the government of the republic of Zambia should always hold consultations with all the key stakeholders such as trade unions that represent government workers in general and other civil society organizations. This would help in reaching an amicable consensus among all the concerned parties.
- Wage freezes should not be taken as the only way out of an economic crisis. The government endeavor to explore other options available.
- Wage freezes should only be effected for a short period of time say one (1) calendar year and not over unspecified period of time.
- In circumstances where the wage freeze became inevitable, government should cushion its impact on civil servants by providing them with low or nil interest loans.

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